



Judicial Council of California

Administrative Office of the Courts

Trial Court Financial Policies and Procedures

Policy No.
Page

FIN 8.01
1 of 17

VENDOR INVOICE PROCESSING

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Vendor Invoice Processing

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2.0 Purpose

(Revised 9/10)

The purpose of this policy and the following procedures is to provide uniform guidelines for the trial court to process vendor invoices for payment.

3.0 Policy Statement

(Revised 9/10)

All trial court vendor, supplier, consultant and contractor invoices shall be routed to the trial court accounts payable department for processing. The accounts payable staff shall process the invoices in a timely fashion and in accordance with the terms and conditions of the purchase agreements. All invoices must be matched to the proper supporting documentation and must be approved for payment by authorized court personnel acting within the scope of their authority.

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4.0 Application

(Revised 9/10)

The policies and procedures described in this section apply to all trial court employees and third parties who participate in the requisition, approval, purchase, receipt, or payment for goods and services required by the court.

5.0 Definitions

(Revised 9/10)

Refer to the Glossary for the following key terms used in this policy.

Accounts Payable
Accounts Payable Provider
Check
Invoice
Purchase Order (PO)
Vendor

6.0 Text

6.1 Vendor Records

(Revised 9/10)

1. A completed vendor form (Payee Data Record, see 7.0 Associated Documents) is required of all vendors doing business with any trial court. Before any vendor's invoice can be paid, the trial court accounts payable department must request the accounts payable provider to establish a vendor file, if one does not already exist, that includes at least the following information:

(Original 8/01)

- a. The vendor's name, address, and telephone number.

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- b. Name and address of vendor representative to whom payments are to be sent if different from the above.
- c. Name, title and telephone number of the person to contact in case of an incomplete or incorrect invoice.
- d. Description of goods provided or services performed.
- e. Taxpayer identification number.

(Revised 8/02)

- f. California resale permit (if applicable)

(Original 8/01)

- 2. Employees who set up vendor files or have access to change vendor data shall not be permitted to approve or process invoices for payment.
- 3. No invoice shall be processed for payment without a vendor tax identification number.

(Revised 9/10)

- 4. In compliance with Internal Revenue Service rules and regulations, the trial court shall ensure that a Form 1099 MISC is issued to all non-employees who meet the criteria for independent contractors established by the IRS. In general, payments that meet the following conditions must be reported:
 - a. Payment is made to someone who is not an employee.
 - b. Payment is made for services in the course of trade or business, including professional services.
 - c. Payment is made to an individual, partnership, estate, or in some cases, a corporation.
 - d. Payments made that total at least \$600 during the year, including jurors.

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- e. Payment for legal services (including not-for profit legal organizations and professional legal corporations) require the issuance of a Form 1099-MISC. This rule applies whether or not the attorney is the exclusive payee or whether or not the legal services are provided to the payer.
- f. Forms must be issued to each qualifying independent contractor by January 31 of each year following the payments and a copy must be sent to the IRS by February 28 of each year following the payments if filing paper forms and March 31 if filing electronic forms.

(Revised 9/10)

- 5. If the court is doing business with a vendor that does not have a presence in California or does not have a resale certificate, the court is required to report and pay the amount of use tax due, as required by the California State Board of Equalization (BOE). Additional information can be obtained through the BOE website.¹

6.2 Document Routing

6.2.1 Routing of Vendor Invoices

(Revised 9/10)

- 1. The trial court shall direct all vendors and contractors to submit invoices to one central location for processing. For the majority of the trial courts, this would be the trial court accounts payable department.
- 2. For trial courts with larger organizations or larger territories to cover, there may be several regional accounts payable processing offices. Vendors may be directed to submit their invoices to these locations for preliminary review of documents.

¹ <http://www.boe.ca.gov/>

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3. The Court Executive Officer or an authorized representative must approve all invoices for payment.
4. Original invoices must also be retained in compliance with Policy No. FIN 12.01, Record Retention.
5. Payments may be issued by the accounts payable provider or the trial court's revolving fund (for appropriate transactions).

6.2.2 Routing of Related Documents

(Revised 9/10)

1. As they are generated, other pertinent documents must also be routed to the trial court accounts payable department. Original copies of purchase orders, blanket purchase order releases, contracts, order forms, approved requisitions, purchase card ordering logs, receipts, packing slips, and all other appropriate documentation related to the acquisition of goods and services for court related business must be provided to the trial court accounts payable department.
2. The accounts payable department will maintain these documents in a central file to be matched against the related vendor invoices and claims.
3. This information may also be maintained in electronic form and accessible through an on-line purchasing system. Accounts payable staff may utilize on-line information to process invoices. However, original documents are still required as supporting evidence when invoices are submitted for approval. Original documents must also be retained in compliance with Policy No. FIN 12.01, Record Retention.

6.2.3 Payment Authorization

(Original 8/01)

1. The trial court shall establish and maintain an authorization matrix that lists employees who are permitted to commit court resources and approve invoices for payment.
2. The authorization matrix shall list the dollar limits and scope of authority of each authorized employee. For example, only certain court officials will be allowed to approve transactions such as the acquisition of fixed assets, hiring of consultants, etc. The authorization matrix should indicate such conditions.
3. The authorization matrix shall be updated on an annual basis or as required by changes in personnel.

(Revised 9/10)

4. Copies of the authorization matrix shall be provided to the trial court accounts payable department and to the accounts payable department of the outside accounting service provider.

6.3 Invoice Processing

6.3.1 Preparing Invoices for Processing

(Original 8/01)

1. Upon receiving the vendor invoices, the trial court accounts payable department will immediately stamp the documents with the current date.
2. Invoices will be sorted by their payment due dates and maintained in a special file for processing.

6.3.2 Document Matching

1. At the scheduled time and depending on the court's invoice payment cycle, an accounts payable employee will match the vendor invoices to all appropriate supporting documentation. The court will adopt the "three-point-match" procedure to process vendor invoices.
2. A "three-point-match" procedure consists of matching a vendor invoice to a purchase agreement and to proof of receipt and acceptance of goods or services. For example:
 - a. All details of the invoice, including description of goods and services ordered, quantities invoiced, unit prices billed and other applicable charges must be matched to the details and terms and conditions of the court's purchase agreements or contracts.
 - b. All invoice details, including description of goods or services ordered and quantities invoiced must be matched to the details of packing slips, shipping orders, receiving reports or other forms of acknowledgement of delivery of products or completion of work by an authorized court employee.
3. Vendor invoices shall not be processed for payment without completing the "three-point-match" procedure. If one element is missing (for example there is no evidence of receipt of goods and services), the accounts payable employee should contact the responsible court employee to obtain the appropriate documents or secure a signature of approval.

6.3.3 Review for Accuracy of Invoice

1. Calculations and price extensions shown on the invoices shall be audited to ensure their accuracy.

(Revised 9/10)

2. Vendor name, address, billing address, vendor number, federal ID number and all other pertinent information shall be reviewed against the information set up in the vendor master file. All discrepancies shall be reported to the appropriate buyer and the court employee who authorized the transaction.
3. To ensure that payments are made according to contract specifications, terms of applicable contracts or purchase agreements shall be compared to the invoice for accuracy.
4. If a trial court finds a potential error in the financial system's vendor master file information, it must be reported to the accounts payable provider in writing. The accounts payable provider must correct the error or respond in writing noting the reason for not correcting the error.

6.3.4 Problem Resolution

1. Discrepancies between vendor invoices and trial court purchase orders or contracts may arise due to:
 - a. Vendor invoicing errors.
 - b. Vendor invoice format that does not allow accounts payable to make a match between the invoice and the purchase authorization.
 - c. Data entry errors made at the time the purchase information was entered into the purchasing system.
 - d. Changes in the purchase information approved by the trial court but not documented in the system or not reflected by a change order.
2. When discrepancies are detected, an invoice will not be processed for payment. The accounts payable department or accounts

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payable provider shall report the errors to the appropriate buyer as well as the requestor of the goods and services.

3. Accounts payable personnel shall not contact vendors directly to resolve invoicing problems, negotiate settlements, etc. Accounts payable personnel may only provide factual information regarding payment status to vendors or contact vendors to verify unclear information provided on invoices or obtain missing information (e.g., tax identification number).
4. The trial court shall designate the person responsible for investigating discrepancies and making necessary corrections prior to invoice payment. This may be the individual who performed the buying activities, the person who originally requested the goods or services, or another party. Coordination of corrective actions will be required between with the court employee requesting the goods or services, the court employee approving the purchase, accounts payable, and the vendor.
5. Problems that cannot be quickly corrected should be referred to the Court Executive Officer or Fiscal Manager for resolution.

6.3.5 Account Coding

1. It is important that all expenditures are recorded in the appropriate accounts. To ensure that transactions are recorded correctly, account codes shall be entered on the purchase requisitions that initiate transactions and be included in the resulting procurement documents. Invoice transactions that are not supported by procurement documents (travel expense claims, check requests, etc.) must have the account code noted on the document requesting payment.
2. If there is any question regarding the assignment of an account code, the accounts payable department or accounts payable

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provider will contact the person who initiated the purchase requisition to confirm that the correct account is being charged.

6.4 Payment Approval

(Revised 9/10)

1. Designated court officials with payment approval authority shall review all invoices for:
 - a. Appropriateness of the transactions.
 - b. Accuracy of the records submitted.
 - c. Reasonableness of the expenditures.

(Original 8/01)

2. Designated court officials shall act within the scope of their authority when approving invoices for payment. If the dollar amount or nature of a purchase exceeds an individual's authority, the next level of authority shall be consulted and appropriate approval secured before releasing the invoice for payment.
3. Court officials authorized to approve invoices shall not approve payment of their own purchases. Another level of approval will be required.

(Revised 9/10)

4. Designated court officials shall ensure that there is both sufficient cash and available balances in the appropriate fund to issue payment.
5. Invoices that have been properly processed and approved according to the applicable criteria shall be forwarded to the trial court accounts payable department or accounts payable provider for payment.

6.5 Types of Payment

(Original 8/01)

1. The following list shows the various types of payments that the trial court may authorize:
 - a. Final payments are made for completed and accepted goods and services.
 - b. Partial payments are made for completed and accepted supplies or services that are only a portion of the total required deliveries (e.g., orders with items on back orders, missing components of an assembly, etc.).
 - c. Progress payments are made to a vendor as work progresses under a purchase order or contract.
 - d. Milestone payments are made to the vendor after the completion of specific tasks agreed to and set forth in the contract between the vendor and the trial court (e.g., long term information services contract with specific deliverables and timetables, consultant engagements, etc.).
 - e. Advance payments are made to a vendor prior to performance of a purchase order or contract (e.g., registration fees for a conference, education programs, etc.). Advance payments are only made in unusual circumstances and are not permitted for time and materials service contracts or for the purchase of goods.

(Revised 9/10)

- i. The prepayment was for event registration, the registered employee must submit evidence to accounts payable that he or she attended the event in order to close the advance. Courts should, subject to any obligation to meet and confer, include language in their personnel policies that provide that, if an employee does not attend the event for which registration was pre-paid, he or she must repay the amount of the advance

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payment as soon as practicable. The policy should provide for any exceptions.

- ii. Advance payments for event registration must only be issued within thirty (30) days of the event, or as reasonably necessary to obtain a discount, but in no event more than sixty (60) days before the event. Advance payments must be approved by the court executive officer or his or her written designee.

6.6 Payments

(Revised 8/02)

1. Under current state regulations, the Trial Court Operations Fund may be established either: (1) in the county treasury, or (2) outside the county treasury with Judicial Council approval.² The procedures used by the trial court to issue payments depend on how the Trial Court Operations Fund is established.

(Revised 9/10)

2. If the Trial Court Operations Fund was established in the county treasury, the county must issue payments at the trial court's direction. In this case, the trial court shall ensure that the county:
 - a. Issues payments on the court's behalf when directed by authorized court personnel. The trial court's authorization matrix shall be provided to the county for approval verification. All checks that exceed \$15,000 shall require two authorized signatures unless they are made payable to the State Treasurer or another state agency. The trial court may establish more restrictive signature requirements at its discretion.
 - b. Has a method of accounting for all payments issued on behalf of the court. The court should require the county or its service provider to

² Government Code (GC) 77009 (g) provides that the county shall establish the Trial Court Operations Fund in the county treasury. Government Code 77009 (a) states that the Judicial Council may establish the Trial Court Operations Fund separate from the county treasury.

- provide reports such as check registers, bank reconciliation reports, etc., for reconciliation to court records.
- c. Immediately posts payments to the check register.
 - d. Has a method of accounting for voided or missing checks and for notifying the court accordingly.
3. After the county issues payments, the trial court accounts payable department shall reconcile the processed invoices to the corresponding items on the check register (on-line or hard copy). All discrepancies must be researched and cleared on a timely basis.
4. If the Trial Court Operations Fund is established outside the county treasury, the requirements of Policy No. FIN 13.01 Banking Services; apply to all payments made by the trial court revolving fund or through the accounts payable provider.

6.7 Record Retention

(Revised 9/10)

- 1. If the trial court uses an accounts payable provider to provide accounting services, the accounts payable provider may require the court to provide copies of invoices, purchase authorizations, and records of receipt when invoices are submitted for payment. It is expected that the accounts payable provider will retain this information along with the associated check documentation in its files as required by Policy No. FIN 12.01, Record Retention.
- 2. The trial court's objective should be to avoid maintaining unnecessary duplicate files. However, this policy recognizes that, for practical reasons, the trial court may elect to maintain duplicate sets of records

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7.0 Associated Documents

(Revised 9/10)

Payee Data Record (in lieu of IRS W-9), two sided form

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PAYEE DATA RECORD (in lieu of IRS W-9)		
AOC PHOENIX Revised FY Updated 01/28/08 Form V1		
(Required when receiving payments from the Judicial Council of California in lieu of IRS W-9)		
SECTION 1 THRU 6 TO BE COMPLETED BY VENDOR		
1 Legal Name	INSTRUCTIONS: Complete all information on this form. Sign, date, and return to court providing form. Prompt return of this fully completed form will prevent delays when processing payments. Information provided in this form will be used by State agencies to prepare Information returns(1099). See Page two for more information and Privacy Statement.	
	PAYEE'S LEGAL NAME - AS SHOWN ON FEDERAL INCOME TAX RETURN	
	BUSINESS NAME - IF DIFFERENT FROM ABOVE	E-MAIL ADDRESS
	MAILING ADDRESS	BUSINESS ADDRESS
	CITY, STATE, ZIP CODE	CITY, STATE, ZIP CODE
2 Payee Entity Type	PLEASE CHECK APPROPRIATE BOX	
	<input type="checkbox"/> INDIVIDUAL/SOLE PROPRIETOR	<input type="checkbox"/> PARTNERSHIP
	<input type="checkbox"/> CORPORATION	<input type="checkbox"/> LIMITED LIABILITY COMPANY
	<input type="checkbox"/> CORPORATION - LEGAL	<input type="checkbox"/> EXEMPT
	<input type="checkbox"/> CORPORATION - MEDICAL	<input type="checkbox"/> OTHER _____
3 Check One Box Only	EMPLOYER IDENTIFICATION NUMBER	
	SOCIAL SECURITY NUMBER	
4 Resident Status	<input type="checkbox"/> California Resident - Qualified to do business in California or maintains place of business <input type="checkbox"/> California Nonresident - Payments to nonresidence for services may be subject to State Income Tax <input type="checkbox"/> No services performed in California <input type="checkbox"/> Copy of Franchise Tax Board waiver of State Withholding attached	
	5 Optional Account Information for ACH Credit (Direct Deposit) Name of Financial Institution _____ <input type="checkbox"/> Checking <input type="checkbox"/> Savings 9 Digit Routing # _____ Account # _____ Re-enter Routing # _____ Re-enter Account # _____ <small>I (we) herby authorize the State of California, to initiate credit entries to my (our) account at the depository financial institution indicated above and to credit the same such account. I (we) herby authorize the Sate of California to withdrawal from the designated account all amounts deposited electronically in error.</small>	
	6 Signature I hereby certify under the penalty of perjury that the information provided on this document is true and correct. Should my information change, I will promptly notify the State agency below. VENDOR REPRESENTATIVE'S NAME (Type or Print) _____ TITLE _____ VENDOR SIGNATURE _____ DATE _____ TELEPHONE _____	
	SECTION 7 TO BE COMPLETED BY COURT	
	7	Please choose from the AOC Vendor category below to help us expedite payment <input type="checkbox"/> ARBITRATOR <input type="checkbox"/> GENERAL (MISC) <input type="checkbox"/> VOLUNTEER <input type="checkbox"/> CONTRACTOR <input type="checkbox"/> GRAND JURY <input type="checkbox"/> OTHER _____ <input type="checkbox"/> COURT APPT. COUNCIL <input type="checkbox"/> INTEREST PAYMENT ONLY <input type="checkbox"/> COURT REPORTER <input type="checkbox"/> INTERPRETER <input type="checkbox"/> EMPLOYEE <input type="checkbox"/> MEDIATOR
SUBMIT COMPLETED FORM TO: TCAFS.VENDORREQUEST@JUD.CA.GOV COURT CONTACT NAME _____ PHONE NUMBER _____ PAYMENT TERMS _____		
FOR AOC USE ONLY		
Vendor # _____ Assigned By: _____		

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Requirement to Complete Payee Data Record	
	<p>A completed Payee Data Record (in lieu of the IRS W-9) is required for payments and will be kept on file at the Administrative Office of the Courts. Since each state agency with which you do business must have a separate Payee Data Record on file, it is possible for a payee to receive this form from various State Agencies.</p>
SECTION 1 THRU 6 TO BE FILLED OUT BY VENDOR	
1	Enter the payee's legal name. Sole proprietorships must also include the owner's full name. An individual must list his/her legal name as it appears on his/her Federal Income tax return. The mailing address should be the address at which the payee chooses to receive correspondence. The business address is the physical location of business, if different than mailing address.
2	Check the box that corresponds to the payee business type. Check only one box. Corporations must check the box that identifies the type of corporation.
3	<p>The State of California requires that all parties entering into business transactions that may lead to payment(s) from the State provide their Taxpayer Identification Number (TIN). The TIN is required by the California Revenue and Taxation Code Section 18646 to facilitate tax compliance enforcement activities and the preparation of Form 1099 and other information returns as required by the Internal Revenue Code Section 6109(a).</p> <p>The TIN for individuals and sole proprietorships is the Social Security Number (SSN). Only partnerships, estates, trusts, and corporations will enter their Federal Employer Identification Number (FEIN).</p>
4	<p>Are you a California resident or nonresident?</p> <p>A corporation will be defined as a "resident" if it has a permanent place of business in California or is qualified through the Secretary of State to do business in California.</p> <p>A partnership is considered a resident partnership if it has a permanent place of business in California. An estate is a resident if the decedent was a California resident at time of death. A trust is a resident if at least one trustee is a California resident.</p> <p>For individuals and sole proprietors, the term "resident" includes every individual who is in California for other than a temporary or transitory purpose and any individual domiciled in California who is absent for a temporary or transitory purpose. Generally, an individual who comes to California for a purpose that will extend over a long or indefinite period will be considered a resident. However, an individual who comes to perform a particular contract of short duration will be considered a nonresident.</p> <p>Payments to all nonresidents may be subject to withholding. Nonresident payees performing services in California or receiving rent, lease, or royalty payments from property (real or personal) located in California will have 7% of their total payments withheld for State income taxes. However, no withholding is required if total payments to the payee are \$1,500 or less for the calendar year.</p> <p>For information on Nonresident Withholding, contact the Franchise Tax Board at the numbers listed below: Withholding Services and Compliance Section: 1-888-792-4900 E-mail address: wscs.gen@ftb.ca.gov For hearing impaired with TDD, call: 1-800-822-6268 Website: www.ftb.ca.gov</p>
5	If you wish to have the money electronically transferred via an ACH credit to your bank account, please provide the information in this box.
6	Provide the name, title, signature, and telephone number of the individual completing this form. Also, provide the date the form was completed.
SECTION 7 TO BE FILLED OUT BY COURT	
7	<p>Please check the box that best describe the type of business/work the vendor provides. This will assist us in processing payment. Include your name and contact information to assist with processing your request. Not including court contact information may delay processing vendor.</p>
	<p>Privacy Statement</p> <p>Section 7(b) of the Privacy Act of 1974 (Public Law 93-579) requires that any federal, State, or local governmental agency, which requests an individual to disclose their social security account number, shall inform that individual whether that disclosure is mandatory or voluntary, by which statutory or other authority such number is solicited, and what uses will be made of it. It is mandatory to furnish the information requested. Federal law requires that payment for which the requested information is not provided is subject to federal backup withholding and State law imposes noncompliance penalties of up to \$20,000.</p> <p>You have the right to access records containing your personal information, such as your SSN. To exercise that right, please contact the business services unit or the accounts payable unit of the State agency(ies) with which you transact that business.</p>